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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1968

No. 1131

BANKERS COMMERCIAL LIFE INSURANCE COMPANY, GREAT UNITED LIFE INSURANCE COMPANY, both corporations, and JOHN ABDNOR, an individual,
Petitioners,

v.

AMERICAN HOSPITAL ASSOCIATION, GROUP HOSPITAL SERVICE, INC., GROUP LIFE & HEALTH INSURANCE COMPANY, and GROUP MEDICAL & SURGICAL SERVICE, INC., all corporations,
Respondents.

On Petition for a Writ of Certiorari to the United States Circuit Court of Appeals for the Fifth Circuit

BRIEF FOR RESPONDENTS IN OPPOSITION

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OPINIONS BELOW

The opinion of the District Court is reported at 275 F. Supp. 563. The opinion of the Court of Appeals for the Fifth Circuit (Appendix A, p. 11 of Petition) is not yet reported.

JURISDICTION

The Petitioners[1] erroneously allege jurisdiction of this Court under Title 28, U.S.C., Section 1254(2). Jurisdiction of this Court should be based upon Title 28 U.S.C. Section 1254(1).

QUESTION PRESENTED

The real question presented by the Petitioners is whether a newcomer in a field can adopt and use a mark so like a prior user's registered mark that it is likely to cause confusion, deception or mistake. Obviously, the answer should be "no," and the court below so held.

STATUTES INVOLVED

The pertinent provision of the Trademark Act of 1946 [15 U.S.C. Section 1114(1)] and the Texas Civil Statutes [Article 851 C - Registration and Protection of Trademarks; Article 370-2(a)(8) - Insurance Code] are set forth in Appendix B of the Petition, pages 17 through 37.

STATEMENT

Respondents believe that a more complete statement of the case than that given by Petitioners will be helpful to the Court.

This is an action for service mark infringement and unfair competition arising under the Lanham Act, Title 15 U.S.C. Section 1051, *et seq.*, and Article 851 C, Texas Civil Statutes. The action charged that the Petitioners' use of the service marks BLUE CROWN and BLUE CROWN PLAN infringed the service marks of the Respondents, namely—BLUE CROSS, BLUE CROSS PLAN, CROSS Symbol, BLUE SHIELD and SHIELD

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[1]Petitioners were Defendants in the Trial Court and Appellants in the Court of Appeals. Respondents were Plaintiffs in the Trial Court and Appellees in the Court of Appeals.

Symbol. Trial was before Judge Sarah T. Hughes, and she made Findings of Fact and Conclusions of Law which are reported at 275 F. Supp. 563. She held that the use of BLUE CROWN and BLUE CROWN PLAN was an infringement of the BLUE CROSS–BLUE SHIELD marks and enjoined such use. The following is a condensation of the more pertinent facts of the case.

Respondent AMERICAN HOSPITAL ASSOCIATION is the owner of the service marks BLUE CROSS, BLUE CROSS PLAN and CROSS Symbol, all of which have been registered in the United States Patent Office and with the Secretary of State for the State of Texas (Plaintiffs' Exhibits 1-6).

Respondent GROUP HOSPITAL SERVICE, INC. is the Blue Cross Plan for the State of Texas (R 124) and it is licensed by AMERICAN HOSPITAL ASSOCIATION to use the service marks owned by the latter. (R 125.)

Respondent GROUP MEDICAL & SURGICAL SERVICE, INC. holds title in trust to the State of Texas service mark registrations for BLUE SHIELD and SHIELD Symbol for the benefit of the National Association of Blue Shield Plans. (Plaintiffs' Exhibits 7-10.) GROUP MEDICAL & SURGICAL SERVICE and GROUP LIFE & HEALTH INSURANCE COMPANY are the Blue Shield Plans for the State of Texas and are licensed by the National Association of Blue Shield Plans to use said service marks.

The service marks BLUE CROSS, BLUE CROSS PLAN and CROSS Symbol were first used in 1934. (Plaintiffs' Exhibits 1, 2 and 3.) BLUE CROSS and CROSS Symbol have been continuously used in Texas since 1942. (R 128.) The service marks BLUE SHIELD and SHIELD Symbol have been continuously used in Texas since about 1947. (R. 129.)

Respondent GROUP HOSPITAL SERVICE, INC., as the Blue Cross Plan in Texas, writes hospitalization insurance (R 116) for groups as well as for individuals. (R 116-119; Findings 9 and 11.)

Respondent GROUP MEDICAL & SURGICAL SERVICE, INC. is a Blue Shield Plan in Texas (R 120) and formerly wrote medical and surgical policies. (R 121.) It no longer writes new business and Respondent GROUP LIFE & HEALTH INSURANCE COMPANY now is the active Blue Shield Plan in Texas (R 127) and writes medical, surgical and life insurance for groups as well as for individuals. (R 122-123.)

Petitioner ABDNOR applied to the Secretary of State in Texas for registration of the mark BLUE CROWN and CROWN Symbol in March of 1960, for use in the insurance industry. (Finding 12; Defendants' Exhibit 45.)

In 1960 and 1964, Petitioner ABDNOR gave the other Petitioners the right to use BLUE CROWN and the CROWN Symbol. (Plaintiffs' Exhibits 60 and 61.)

Petitioner GREAT UNITED originally used BLUE CROWN on its policies and Petitioner BANKERS COMMERCIAL originally used WHITE CROWN. (R 365.) In 1963, Petitioner GREAT UNITED ceased writing business and Petitioner BANKERS COMMERCIAL now uses BLUE CROWN and WHITE CROWN. (R 365; R 185.)

Petitioner ABDNOR, chief executive officer of the corporate Petitioners, testified that the companies had, since 1964, sold more BLUE CROWN policies than WHITE CROWN, and that beginning in 1964, the ratio of sales of BLUE CROWN to WHITE CROWN was 80% to 20%. (R 184-185.)

Respondents other than AMERICAN HOSPITAL ASSOCIATION are jointly operated, having common Directors, the same officers and employees and the same office facilities. (R 130-131.) All of their advertising is joint (R 131; Plaintiffs' Exhibit 40), and they use the trade name "Blue Cross-Blue Shield of Texas." (Plaintiffs' Exhibits 9, 17 and 40.)

The services offered by the corporate Petitioners and by Respondents are substantially the same, being life, health and hospital insurance (Finding 11), and the services are sold to individuals by both. (Findings 9 and 11.)

The total enrollment of the Blue Cross Plans in the United States in 1966 consisted of 63,713,722 persons, and 8,930,729 were individual policyholders (as distinguished from members of group plans). (Plaintiffs' Exhibit 21, para. 7.)

The total enrollment of the Blue Cross Plan in Texas in 1966 consisted of 2,060,520 persons, and 259,919 were individual policyholders. (Plaintiffs' Exhibit 21, para. 8.)

The total enrollment of the Blue Shield Plan in Texas in 1966 consisted of 2,002,120 persons and 251,274 were individual policyholders. (Plaintiffs' Exhibit 21, para. 9.)

When Petitioner ABDNOR applied for registration of BLUE CROWN in the office of the Secretary of State of Texas in 1960, Blue Cross already had a national enrollment of more than 56,000,000, more than 1,300,000 being in Texas. (Plaintiffs' Exhibit 21, para. 7 and 8.) At the same time, Blue Shield had an enrollment in Texas of more than 1,290,000. (Plaintiffs' Exhibit 21, para. 9.)

Petitioner ABDNOR was well aware of BLUE CROSS when he chose BLUE CROWN, having had a Blue Cross policy in the 1940's. (R 180-181.)

The service marks BLUE CROSS and BLUE SHIELD have been extensively advertised. From 1954 through 1966, $6,480,922 was spent in national advertising of BLUE CROSS (Plaintiffs' Exhibit 21, para. 1), and from 1942 through 1966, $2,298,185 was spent advertising it in Texas. (Plaintiffs' Exhibit 21, para. 3.) Advertisement of BLUE SHIELD in Texas from 1945 through 1966 cost $2,507,029. (Plaintiffs' Exhibit 21, para. 4.)

ARGUMENT

The decision below is clearly correct. Moreover, there is no important question of federal law involved in this case. The Trial Court, based upon evidence peculiar to this action, made Findings of Fact and Conclusions of Law and correctly applied the Lanham Act, 15 U.S.C. Section 1114(1) and

Article 851 C, Texas Civil Statutes. The decision does not conflict with those of any other circuit on any question of law and the review of the decision herein could have no interest to anyone but the litigants involved.

A. Opposition to Point 1

Although they did not do so in the Court of Appeals, Petitioners now contend that the judgment complained of "is based on hearsay testimony—the results of a survey."

In the first place, the random survey is not hearsay. The answers to the questions propounded to the interviewees, to the effect that they thought there was a connection between BLUE CROSS–BLUE SHIELD and BLUE CROWN, obviously were not introduced by Respondents to prove the truth of such answers—that BLUE CROSS–BLUE SHIELD were connected with BLUE CROWN. That there is no such connection, but that purchasers of insurance are likely to believe that there is, is the whole point of the litigation.

The survey evidence, therefore, could not be hearsay, and the following cases are representative of the many that have held such surveys admissible: *United States v. 88 Cases, More or Less, Etc.*, 187 F.2d 967 (3 Cir., 1951); *Standard Oil Company v. Standard Oil Company*, 252 F.2d 65 (10 Cir., 1958); *Hawley Products Company v. United States Trunk Co.*, 259 F.2d 69 (1 Cir., 1958); *Anheuser-Busch, Inc. v. Bavarian Brewing Company*, 264 F.2d 88 (6 Cir., 1959).

Secondly, Petitioners' contention that the judgment is based solely upon the survey is obviously based on surmise. Petitioners and Respondents introduced numerous witnesses at the trial as well as many exhibits showing the service marks, policy forms and advertising used by the respective parties.

Based on the voluminous oral and documentary evidence before the Trial Court, the Judge set forth her Findings of Fact and Conclusions of Law which show intimate knowl-

edge of the complete record before her, and there is nothing in the Findings and Conclusions to reflect what weight, if any, she gave to the survey, which was a very small part of the evidence.

Moreover, Conclusions 6, 7 and 8 reveal that the Trial Court clearly found two of the three disjunctive violations prohibited by the Lanham Act in 15 U.S.C., Section 1114(1).

It is submitted that there is ample evidence to support the judgment even without the survey. Since the Court of Appeals was not asked to, and did not, address itself to the survey, there could not be a conflict with *Superior Engraving Co. v. NLRB*, 183 F.2d 783 (7 Cir., 1950), cited at page 6 of the Petition, which did not even involve a survey.

B. Opposition to Point 2

In this Point, the Petitioners are in effect arguing that infringement cannot be found unless there is a showing of actual confusion. Likelihood of confusion, mistake, or deception is the test, not actual. 15 U.S.C., Section 1114(1), states in part as follows:

> "Any person who shall, without the consent of the registrant–
>
> > "(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; * * *"

The Trial Court made lengthy and detailed findings which clearly justified the following conclusions which comply with the provisions of 15 U.S.C., Section 1114(1), in every respect:

> "6. The Cross, Shield, and Crown all being used in heraldry give a similar impression to the viewer, and with the color blue, tend to confuse the ordinary purchaser of insurance. See *National Association of Blue Shield*

Plans and Group Medical & Surgical Service v. United Bankers Life Insurance Company, 346 F.2d 374 (5th Cir. 1966).

"7. The mark Blue Crown of Defendant-companies is such an ingenious imitation of Plaintiffs' marks Blue Cross and Blue Shield as to be calculated to deceive ordinary persons. See *Coca-Cola Co. v. Cleo Syrup Corp.*, 48 F.Supp. 567.

"8. Blue Crown being a colorable imitation of Blue Cross-Blue Shield used in connection with the advertising of policies of the Defendant-companies is likely to cause confusion with the policies issued by Plaintiff-companies."

Moreover, there is no conflict between the decision in the instant case and the case of *Fram Corporation v. Boyd*, 230 F.2d 931 (5 Cir., 1956). The portion of the *Fram* case upon which Petitioners rely here relates to unfair competition, which is governed by common law, and not the Lanham Act provision [15 U.S.C. Section 1114(1)] here in issue.

C. Opposition to Point 3

The Petitioners contend in this Point that the opinion of the Fifth Circuit in the instant case is in conflict with the case of *Valvoline Oil Co. v. Havoline Oil Co.*, 211 F. 189 (S.D.N.Y., 1913), and others cited at page 8 in the Petition. What the Petitioners are really saying is that the Respondents herein should not prevail because they were guilty of laches. This contention of laches stems from the fact that the Respondents charged the Petitioners with infringement by letter in 1962, but did not file suit until 1966. At trial, no request for damages was made, only injunctive relief.

In the instant case, the Fifth Circuit applied the basic principle that laches is not a defense to an injunction in a trademark infringement case, although it may preclude relief in the form of profits and damages. This proposition was settled as early as 1877 in the case of *McLean v. Fleming*, 96 U.S. 245 (1877). The case of *Menendez v. Holt*, 128

U.S. 514 (1888), also espoused this same proposition. Thus, there is no conflict in any circuits, as the Petitioners suggest.

D. Opposition to Point 4

Petitioners persist in arguing, as they did in the Court of Appeals, that the judgment precluded their use of the *color* blue. This simply is not correct, as even a cursory reading of the judgment will readily disclose.

The judgment provides that Petitioners "are permanently enjoined and restrained from using in any way in connection with the sale, offering for sale or advertising of insurance, 'Blue Crown', 'Blue Crown Plan' and the word 'Blue' in combination with any other words or designs, or any colorable imitation of the registered marks 'Blue Cross', 'Blue Cross Plan', 'Blue Shield' and 'Blue Shield Plan.'" (R 74, Appendix to Petition, pp. 14-16.)

Therefore, Petitioners' contention is purely imaginary, and, since the color is not involved, there obviously is no conflict with *Norwich Pharmacal Company v. Sterling Drug Inc.*, 271 F.2d 569 (2 Cir., 1959).

CONCLUSION

For the foregoing reasons it is respectfully submitted that this petition for a writ of certiorari should be denied.

Respectfully submitted,

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